

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF SOUTH CAROLINA**

In re	)	
	)	Chapter 11 Case
Bi-Lo, LLC, <u>et al.</u> ,	)	
	)	Case No. 09-02140 (HEB)
	)	
Debtors.	)	Jointly Administered

**REPORT BY AP SERVICES, LLC  
OF COMPENSATION EARNED AND EXPENSES INCURRED  
FOR THE PERIOD FROM MARCH 23, 2009 THROUGH JUNE 30, 2009**

Exhibit A – Summary of Compensation and Expenses

Exhibit B – Summary of Professionals and Fees

Exhibit C – Summary of Expenses

Exhibit D – Summary of Services

Exhibit E – Detailed Time Entries for the period of March 23, 2009 through June 30, 2009 (to be served upon the Office of the U.S. Trustee. Available for review upon request by other parties.)

Please take notice that, as disclosed in the application seeking retention of AP Services, LLC (“APS”) and requesting this Court’s entry of the Order Pursuant to 11U.S.C. § 363 (b) Authorizing the Debtors to Employ and Retain AP Services, LLC to Provide Restructuring Services and to Designate Michael Feder as Chief Restructuring Officer Effective Nunc Pro Tunc to the Petition Date [entered on April 23, 2009 at docket number 481], APS was provided with a retainer from Debtors’ funds of \$300,000 which was subsequently increased (due to billing adjustments) by \$14,944.66. Such retainer funds, however, were applied as payments against amounts owing to APS for fees earned and expenses incurred during the period from March 23, 2009 through June 30, 2009.

Dated: July 31, 2009

/s/ Michael Feder

Michael Feder  
Authorized Representative  
AP Services, LLC

AP Services may determine, from time to time, to augment its professional staff with independent contractors (each an “Independent Contractor”) in these chapter 11 cases. AP Services’ standard practice is to charge for an Independent Contractor’s services at a rate equal to the compensation provided by AlixPartners to such Independent Contractor. AP Services did not use I/C’s during this Compensation Period.

Exhibit A

AP Services, LLC  
Summary of Compensation and Expenses – Bi-Lo, LLC, et al.  
March 23, 2009 through June 30, 2009

Period	Fees	Expenses	TOTAL
March 23, 2009 to April 30, 2009	\$ 745,242.50	\$ 38,914.93	\$ 784,157.43
May 1, 2009 to May 31, 2009	499,287.00	38,849.44	538,136.44
June 1, 2009 to June 30, 2009	534,093.00	25,165.89	559,258.89
Total Accrued	\$ 1,778,622.50	\$ 102,930.26	\$ 1,881,552.76
Less: Travel (50%)	(136,047.75)		(136,047.75)
Total Invoiced (1)	\$ 1,642,574.75	\$ 102,930.26	\$ 1,745,505.01

<sup>1</sup>See statement regarding APS' application of retainer funds totaling \$314,94.66 (see cover page to this report).

Exhibit B

AP Services, LLC  
Summary of Professionals and Fees – Bi-Lo, LLC, et al.  
March 23, 2009 through June 30, 2009

Temporary Employees - Individuals With Executive Officer Positions							Total Compensation
Name of Professional	Description of Function	Hourly Rate '09	March 23 to Apr-09	May-09	Jun-09	Total Hours	
Michael Feder	Chief Restructuring Officer	\$ 790.00	247.40	154.00	187.70	589.1	\$ 465,389.00
							<u>589.1 \$ 465,389.00</u>
Additional Temporary Staff Employees - Full-Time							
Name of Professional	Description of Function	Hourly Rate '09	Apr-09	May-09	Jun-09	Total Hours	Total Compensation
Barry Folse*	Case Support	\$ 685.00	1.50	1.50	45.00	48.0	\$ 32,880.00
Charles Setzfand*	Case Support	\$ 595.00	143.60	9.00	29.00	181.6	108,052.00
Brad Boggess	Operational Restructuring	\$ 595.00	286.40	200.90	122.90	610.2	363,069.00
John Bonno	Operational Restructuring	\$ 595.00	19.20	156.00	201.00	376.2	223,839.00
Dudley Jordan	Advisor - Case Support	\$ 450.00	326.40	179.00	131.60	637.0	286,650.00
Bob Pacheco*	Case Support	\$ 450.00	109.75			109.8	49,387.50
Chad S. Suss	Cash Management	\$ 365.00	233.50	212.60	228.30	674.4	246,156.00
Julia Mysinger*	Case Support	\$ 200.00		3.70	12.30	16.0	3,200.00
							<u>2653.15 \$ 1,313,233.50</u>
							<u>3242.25 \$ 1,778,622.50</u>

\*Part-Time

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Exhibit C

AP Services, LLC  
Summary of Expenses – Bi-Lo, LLC, et al.  
March 23, 2009 through June 30, 2009

Expense Categories	Mar 23-April '09	May-09	June-09	TOTAL
Airfare/Airfare Service Charges	\$ 14,351.38	\$ 13,037.65	\$ 5,640.11	\$ 33,029.14
Cab Fare / Ground Transportation	439.80	652.50	362.00	1,454.30
Cell Phone	174.05			174.05
Copy Costs		596.17		596.17
Gas/Fuel	135.07	304.03	365.18	804.28
Laundry				
Lodging	13,349.66	13,643.98	10,418.59	37,412.23
Long Distance Calls	41.35	1,067.58	0.79	1,109.72
Meals & Tips	773.89		757.62	1,531.51
Meals Engagement Team	3,137.85	2,478.20	2,505.45	8,121.50
Mileage	864.05	641.85	254.10	1,760.00
Other	125.00	232.90	109.00	466.90
Parking & Tolls	1,069.06	1,098.59	859.87	3,027.52
Phone - Internet Access	119.40	161.60	89.55	370.55
Postage/Messenger/Courier	22.02	35.45		57.47
Rental Car	4,137.00	4,887.69	3,626.81	12,651.50
Research	100.51		172.32	272.83
Supplies	72.59			72.59
Train	2.25	11.25	4.50	18.00
<b>TOTAL</b>	<b>\$ 38,914.93</b>	<b>\$ 38,849.44</b>	<b>\$ 25,165.89</b>	<b>\$ 102,930.26</b>

Exhibit D

AP Services, LLC  
Detailed Time Entries – Bi-Lo, LLC, et al.  
March 23, 2009 through June 30, 2009

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Vendor Maintenance

- Negotiated with numerous critical and non-critical BI-LO trade vendors following filing to maintain supply to support sales plan, including as necessary, modified payment terms
- Negotiated with Utility vendors to avoid service disconnection and/or disruption and worked out deposits as required, consistent with the first day Utilities motion
- Negotiated with a number of BI-LO store services vendors to continue service, modify contracts or reduce prices
- Reviewed certain executory contracts to determine cure and rejection damage claims
- Established process and began analysis of BI-LO's executory contracts for assumption and rejection decisions
- Conducted analysis to determine benefits associated with trade vendor 503(b)(9) program
- Established process for execution of trade vendor 503(b)( 9) program
- Received, reviewed and tracked all correspondence related to purported "Reclamation" and "PACA" claims asserted pursuant to section 546(c) of the Bankruptcy Code or under other purported authority

Cash Forecasting and Management

- Maintained and updated each week, the BO-LO 13-week rolling and annual cash flow forecast with input gathered from various client personnel
- Modified and tested BI-LO's cash model to accommodate a 2010 cash flow forecast and initiated documentation of the cash forecasting process to enhance process sustainability and serve as a Treasury department reference going forward
- Monitored and reviewed daily cash flows and maintained a 4-week rolling daily cash flow forecast to monitor near-term liquidity
- Tracked weekly variances to forecast for reporting to Lenders, BI-LO management and other interested parties
- Reviewed DIP credit agreement to understand reporting covenants and built several reports delivered weekly to DIP Lender
- Prepared ad-hoc cash flow forecasts and scenario analysis to aid in liquidity planning.
- Provided initial professional fee forecasts and reviewed and processed professional fee invoices and fee applications to ensure accuracy, timely payment and reporting.

Bankruptcy Schedules

- Finalized and filed Bankruptcy Schedules ("Schedules") and Statements of Financial Affairs ("SOFA") for 10 debtor entities in under 45 days (May 1) in advance of 341A Meeting of Creditors
- Coordinated with bankruptcy counsel to draft the Global Notes to the Schedules and SOFA
- Coordinated with the financial accounting and real estate departments while gathering all data related to real estate

Exhibit D

AP Services, LLC  
Detailed Time Entries – Bi-Lo, LLC, et al.  
March 23, 2009 through June 30, 2009

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- Met with accounts receivable department to understand, review and gather all data necessary for Schedule and SOFA reporting related to accounts receivable
  - Gathered, reviewed and compiled all payments made by each debtor entity within the 90 days prior to the petition date
  - Researched and discussed detailed other and fixed asset register data (inventory, office equipment, business equipment, etc.) with the financial accounting department and prepared requisite exhibits
  - Collected relevant information for certain employee related claims and any unpaid tax liabilities, history of taxes paid and taxing authorities for priority scheduled claims
  - Reviewed and discussed secured and unsecured debt obligations with management and counsel including any and all guarantor obligations
  - Coordinated with in-house counsel as well as outside counsel while gathering all necessary contract information
  - Gathered, reviewed and compiled income and expense information
  - Collected relevant information regarding certain current and past debtor personnel
  - Coordinated with in-house and external counsel while compiling requisite data related to filed and potential litigation and environmental liabilities

Distribution Contract Analysis

- Conducted thorough operational assessment of BI-LO's distribution and transportation activities
- Reviewed current BI-LO/C&S Supply Agreement and identified multiple opportunities for cost reductions within contract
- Outlined initial BI-LO approach to the renegotiation of the C&S supply agreement
- Identified distribution and transportation savings of at least \$3 million, which largely require the agreement and support of C&S
- Developed and presented to management a comprehensive "Should Cost" model to estimate Distribution costs C&S is incurring to serve BI-LO and likely profitability based upon charges
- Initiated implementation of several cost reduction opportunities, including re-structuring gift basket program which save \$500,000 annually
- Executed sourcing process to analyze other potential third parties beyond C&S that could provide Supply Chain services to BI-LO
- Developed scripts in preparation for C&S negotiations as well as approach to alternative potential distributors

Bankruptcy Management

- Worked with the accounts payable and financial accounting departments to establish procedures to identify and prevent payment of all pre-petition liabilities
- Identified the specific pre-petition liabilities for which the Court authorized payment and assisted in instituting a reporting system for payments of such liabilities

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Detailed Time Entries – Bi-Lo, LLC, et al.  
March 23, 2009 through June 30, 2009

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- Established a process to collect all financial and operational data required for filing the Monthly Operating Reports with the Court and the U.S. Trustee and prepared all such reports
  - Coordinated the development of the debtors strategy regarding overall contract rejection process, performed calculations of estimated contract rejection amounts and began development of cure estimates
  - Participated in numerous routine and ad-hoc calls with Unsecured Creditors Committee advisors to coordinate efforts and review work streams
  - Established a process to prevent the payment of ordinary course professionals until the appropriate documentation has been filed with the Court and prepared the required quarterly report related to payments to ordinary course professionals for filing with the Court

Motion Support

- Coordinated with bankruptcy counsel and management to assist in the appropriate implementation of orders approving filed “first-day” motions
- Worked with the human resources department and outside consultants to document financial, operational and policy information to support the proper implementation of the post-petition court authorized employee benefits
- Collected financial and operational data from the financial accounting and treasury departments and coordinated with outside counsel to assist in the maintenance of the BI-LO cash management system as approved by DIP Loan order, the cash management and the cash collateral orders
- Served as the primary contact with the debtors’ banking institutions to provide and discuss the cash management and cash collateral orders to ensure that BI-LO had continued access to its financial resources
- Met with debtor risk management personal to document the debtors’ risk management processes and insurance needs to provide necessary data for the proper implementation of the insurance motion
- Coordinated with operational personnel, the financial accounting department and outside counsel to assist in the proper implementation of the customer programs, alcohol and lottery, and consignment orders
- Worked with financial accounting, information technology and operational personnel to understand the relationships and work performed by various consultants to assist in preparing the ongoing list of ordinary course professionals in support of the OCP order
- Coordinated with financial and tax accounting personnel to properly implement and only pay the taxes allowed through the tax order
- Assisted in the development of strategy and negotiations related to the Blue Cross / Blue Shield contract (heard on July 22<sup>nd</sup>)

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Development of 5 Year Plan

- Developed work plan and strategy for creation of BI-LO 5 year plan
- Created and staffed 8 work streams with BI-LO staff to develop operational and financial projections to act as the baseline for the overall five year plan
- Coordinated weekly status and progress updates for all work streams
- Assisted work streams with development of content and financial models for 5 year plan in anticipation of the finalization and delivery of the plan to case constituents scheduled for July 31<sup>st</sup> and the presentation scheduled for August 4<sup>th</sup>

CRO Duties

- Served as BI-LO's Chief Restructuring Officer and assisting the company management to maintain its focus on operating results by undertaking responsibility for the various bankruptcy related activities
- Managed team of AlixPartners resources in the support of BI-LO's bankruptcy objectives including the various achievements outlined herein.
- Primarily responsible for the communication with various constituencies in this Chapter 11 case
- Primary negotiator of complicated executive compensation issues
- Analyzed and supported BI-LO's motion to modify and implement revised company performance incentive plans (GMIP, SMIP and RxIP)
- Assisted in the development of BI-LO's 503(b)(9) motion to return and secure vendor payment and promotional terms
- Directed the analysis of potential vendor preference analysis in support of BI-LO's 503(b)(9) motion
- Worked collaboratively and consistently with BI-LO's other professionals in the achievement of BI-LO's restructuring objectives

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF SOUTH CAROLINA

In re: ) Case No. 09-02140 -hb  
          )  
BI-LO, LLC *et al.*,         ) Chapter 11  
          )  
Debtors.                     ) (Joint Administration)  
          )  
          )

CERTIFICATE OF SERVICE

I, the undersigned administrative assistant of the law offices of Nelson Mullins Riley & Scarborough, L.L.P., attorneys for the Debtors, do hereby certify that I have served the below parties in this action with a copy of the pleading(s) hereinbelow specified via United States Mail, postage prepaid, to the following address(es):

Pleading: REPORT BY AP SERVICES, LLC OF COMPENSATION EARNED AND EXPENSES INCURRED FOR THE PERIOD FROM MARCH 23, 2009 THROUGH JUNE 30, 2009

Parties Served: United States Mail, Postage Prepaid

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/s/ Patricia A. Alexander   
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July 31, 2009